

VZCZCXYZ0000  
RR RUEHWEB

DE RUEHFR #0407 0321531  
ZNY SSSSS ZZH  
R 011531Z FEB 07  
FM AMEMBASSY PARIS  
TO RUEHC/SECSTATE WASHDC 4628  
RUEATRS/TREASURY DEPT WASHDC  
RUCPDO/DEPT OF COMMERCE WASHDC  
RHEHNSC/NSC WASHINGTON DC  
RUEKJCS/SECDEF WASHDC  
RUEHGG/UN SECURITY COUNCIL COLLECTIVE

S E C R E T PARIS 000407

SIPDIS

SIPDIS

STATE FOR EUR/WE; NEA/IR; EB/IFD/ODF and EB/ESC/TFS Treasury for  
IA/Office of Trade Finance

E.O. 12958: DECL: (##)

TAGS: [PREL](#) [EFIN](#) [MNUC](#) [EXIM](#) [UNSC](#) [OECD](#) [IR](#) [FR](#)

SUBJECT: INITIAL FRENCH REACTION TO HALTING IRAN EXPORT CREDITS

REF: STATE 4760

Classified By: ECON M/C Thomas J. White for reasons 1.4 (b) and  
(d).

¶1. (C) SUMMARY: Per reftel, we raised the issue of current levels of sovereign and non-sovereign exposure to Iran with our working-level contacts in the Finance Ministry. France is interested in ratcheting up the pressure on Iran to convince it to give up its nuclear weapons program, but is not in a position to halt export credits. The Ambassador plans to follow up via letter to Finance Minister Breton. END SUMMARY

¶2. (C) We spoke on January 24 with Renaud Lassus, DAS for the export credit insurance division of the French Ministry of Finance, and with Jean-Marie Paugam, DAS for Europe, Africa and the Middle East in the international business development division of the Finance Ministry, about the idea of halting export credits to Iran.

¶3. (C) By way of overview, Paugam noted that France is not in the same position as the United States with regard to trade, since exports from France to Iran of goods and services currently total around two billion euros (2.6 billion USD) per year, France accounts for about four percent of the global market share of trade with Iran. He also noted that any decision affecting policy with Iran will be made by President Chirac, although obviously France supports maintaining pressure on the Iranian government. Last, he mentioned a technical barrier to implementation, namely, the still non-existent legal authority upon which any such change in policy would need to be based, citing conversations held last year in a similar vein with Finance Director Musca and Treasury Under Secretary Levey.

¶4. (S) Lassus said France's export credit company, COFACE (Compagnie Francaise d'Assurance pour le Commerce Exterieur), already is off-cover for short-term guarantees to Iran, and has been for the last two years. This does not include pure private sector transactions, which COFACE has the authority to conduct without any GOF political influence or interference. COFACE is majority-owned by Natexis Banque Populaires, and manages the export guarantee program for the government. Being partially off-cover is a different situation than some of France's EU partners, who have increased or maintained their exposure. France also has taken other measures to control economic relations with Iran. For example, investment guarantees for the automotive industry have only been approved after going up to Finance Minister Breton for decision, and only for Peugeot and Renault, as a way to target financial pressure.

¶5. (C) Lassus said COFACE has an exposure to Iran of 1.1 billion euros (1.4 billion USD), and annual flows have been reduced to 200 million euros (260 million USD), which is mainly

to cover automobiles and vehicle parts. A large part of the reduction is due to controls on dual-use technology and goods. Oil exposure is small, but could become significant in the future.

16. (C) Lassus closed by noting that on export credit policy, France reduced its cap for Iran last year, and will reduce it again this year. Absent legal authority directing a change in policy, this was done on prudential grounds. The GOF is also working on new rules for Hermes cover on dual-use goods to certain nations, but the regulations have not yet been published.

Please visit Paris' Classified Website at:  
<http://www.state.sgov.gov/p/eur/paris/index.cfm>

STAPLETON #